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MAGNUM FUND LIMITED

1969

F O R T Y - N I N T H
A N N U A L R E P O R T

FOR THE YEAR ENDED JUNE 30, 1969



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MAGNUM FUND LIMITED

Incorporated under the laws of Canada

HEAD OFFICE: 25 King Street West, Toronto, Canada

BOARD OF DIRECTORS

T. R. ANDERSON, Minneapolis	N. J. MCKINNON, Toronto
DR. CARLO BOMBIERI, Milan	LEO MODEL, New York
W. E. P. DEROCHE, Q.C., Toronto	THE HON. N. C. J. ROTHSCHILD, London
G. PETER FLECK, New York	JONKHEER J. A. G. SANDBERG, Wassenaar
HANS J. FRANK, New York	MAURICE SCHLOGEL, Paris
DAVID G. GUEST, Q.C., Toronto	SIR MARK TURNER, London
GEORGES C. KARLWEIS, Geneva	FRANZ H. ULRICH, Dusseldorf
BARON LEON LAMBERT, Brussels	THE HON. ROBERT H. WINTERS, Toronto

OFFICERS

<i>Chairman of the Board</i>	- - - - - LEO MODEL, New York
<i>President</i>	- - - - - W. E. P. DEROCHE, Q.C., Toronto
<i>Treasurer</i>	- - - - - A. STANLEY GLUCK, New York
<i>Secretary</i>	- - - - - DAVID G. GUEST, Q.C., Toronto

<i>Investment Counsel</i>	- - - - - MODEL, ROLAND & CO., INC., New York MODEL, ROLAND COMPANY, London
<i>Legal Counsel</i>	- - - - - BLAKE, CASSELS & GRAYDON, Toronto STRASSER, SPIEGELBERG, FRIED & FRANK, New York
<i>Auditors</i>	- - - - - CLARKSON, GORDON & CO., Toronto
<i>Transfer Agent and Registrar</i>	- - - NATIONAL TRUST COMPANY, LIMITED Toronto and Montreal
<i>Shares listed on</i>	- - - THE TORONTO STOCK EXCHANGE THE STOCK EXCHANGE, London

MAGNUM FUND LIMITED

FORTY-NINTH ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Your directors submit herewith their report for the year ended June 30, 1969, together with the consolidated financial statements of the Company and Mextram N.V., its wholly-owned subsidiary. As usual, the financial statements are expressed in United States currency.

During the year supplementary letters patent were issued to the Company subdividing each of the issued and unissued shares of the par value of \$10 into 2 shares of the par value of \$5 each and cancelling the 20,097 shares of the Company that had been acquired by its subsidiary in 1964. The Company's financial statements give effect to this change and comparative per share figures for previous years have been adjusted accordingly.

INVESTMENT ACTIVITIES

At the year-end the Fund's net assets, valued on the basis of quoted securities at market and unquoted securities at cost, amounted to \$20,376,664, an increase of \$700,900 over the previous year. On the basis of 790,430 shares outstanding, this represents an increase of 3.6% in net asset value per share from \$24.89 at June 30, 1968 to \$25.78 at June 30, 1969.

The funds of your Company and its subsidiary, Mextram N.V., continue to be invested in accordance with our policy of selecting for investment securities of companies domiciled in all parts of the free world, including companies operating in the less developed countries. In addition, Mextram N.V. purchases marketable securities from time to time with a view to taking advantage of short-term market fluctuations which are anticipated either in special situations or because of general market trends.

The following is a summary of investments and other assets as at June 30, 1969:

1. GROUPED ACCORDING TO ISSUING COMPANY'S BUSINESS

	1969			1968		
	Cost	Approximate market value of quoted securities and cost of unquoted securities and other assets (1)	Percent of total	Cost	Approximate market value of quoted securities and cost of unquoted securities and other assets (1)	Percent of total
	(\$000's)	(\$000's)		(\$000's)	(\$000's)	
Chemical and drug.....	\$ 3,440	\$ 3,639	17.8%	\$ 1,718	\$ 2,046	10.4%
Pulp, paper and lumber.....	930	935	4.6	1,127	1,193	6.1
Steel and iron.....	122	41	0.2	417	363	1.8
Electronics.....	1,142	982	4.8	1,007	1,083	5.5
Food and beverages.....	796	872	4.3	774	762	3.8
Miscellaneous manufacturing and retail.....	962	932	4.6	1,061	1,605	8.1
Mining and refining.....	1,413	1,584	7.8	1,008	1,703	8.7
Oil and gas.....	776	970	4.8	1,349	1,685	8.6
Utilities.....	761	755	3.8	1,069	1,241	6.3
Investment, finance and insurance.....	1,989	2,284	11.2	1,399	1,706	8.7
Real estate.....	1,204	1,885	9.3	672	1,256	6.4
Building and construction...	715	769	3.8	1,041	1,292	6.6
Transportation.....	1,403	1,591	7.8	1,004	1,186	6.0
Other assets, net of liabilities	3,138	3,138	15.2	2,555	2,555	13.0
	<u>\$18,791</u>	<u>\$20,377</u>	<u>100.0%</u>	<u>\$16,201</u>	<u>\$19,676</u>	<u>100.0%</u>

2. GROUPED ACCORDING TO ISSUING COMPANY'S DOMICILE

U.S.A. and Canada.....	\$11,998	\$12,890	63.3%	\$10,600	\$13,273	67.4%
Europe.....	3,054	3,829	18.9	2,445	3,298	16.8
Central and South America..	601	520	2.6	601	550	2.8
Other assets, net.....	3,138	3,138	15.2	2,555	2,555	13.0
	<u>\$18,791</u>	<u>\$20,377</u>	<u>100.0%</u>	<u>\$16,201</u>	<u>\$19,676</u>	<u>100.0%</u>

Notes:

- Investments not having a quoted market value included above: 1969—\$590,000; 1968—\$704,000.
- In the determination of cost, foreign currencies have been translated to United States dollars at exchange rates in effect at the time of purchase; in the determination of market values, translations have been made at closing rates on June 30, 1969 and June 30, 1968 respectively.

DIVIDENDS

In April 1969 the Company paid a dividend of 20¢ on each subdivided share equivalent to 40¢ on the old shares and representing an increase from 35¢ per old share paid the previous year. Your directors intend to continue making annual distributions in future years from income other than profits realized from the sale of investments.

In the fiscal year ended June 30, 1969, the Company's unconsolidated earnings and profits exceeded the amount of its dividend distribution, and accordingly the whole of the dividend paid in that year constitutes an ordinary dividend to shareholders for United States income tax purposes. Information as to the status of previous dividends for United States tax purposes is contained in the Annual Report for 1968.

TEN-YEAR RECORD

The results of the operation of the Fund over the past ten years are reflected in the following table on a per-share basis, adjusted to reflect the 2-for-1 subdivision effective March 14, 1969:

<u>Fiscal year ended June 30</u>	<u>Net assets, beginning of year</u>	<u>Realized and unrealized appreciation (depreciation) of investments</u>	<u>Net income from investments</u>	<u>Dividend paid</u>	<u>Net assets, end of year</u>
1960	\$ 9.00	\$0.72	\$0.32	—	\$10.04
1961	10.04	1.70	0.30	—	12.04
1962	12.04	(1.16)	0.35	\$0.15	11.08
1963	11.08	1.82	0.35	0.15	13.10
1964	13.10	1.23	0.33	0.15	14.51
1965	14.51	0.55	0.38	0.15	15.29
1966	15.29	1.32	0.44	0.175	16.87
1967	16.87	1.90	0.51	0.175	19.10
1968	19.10	5.52	0.45	0.175	24.89
1969	24.89	0.52	0.57	0.20	25.78

For the Board of Directors

W. E. P. DEROCHE

President

Toronto, Canada, August 25, 1969.

MAGNUM FUND LIMITED

(incorporated under the laws of Canada)

and its subsidiary, Mextram N.V.

(incorporated under the laws of the Netherlands Antilles)

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 1969

(In U.S. currency)

(with comparative figures at June 30, 1968)

ASSETS

Investments:

	1969	1968
Securities having a quoted market value, at market (cost— 1969, \$15,062,770; 1968, \$12,942,260) (note 2).....	\$16,649,213	\$16,416,900
Securities not having a quoted market value, at cost.....	590,246	703,713
	<u>17,239,459</u>	<u>17,120,613</u>
Cash and deposits.....	5,487,027	1,514,756
Short term commercial paper—at cost.....	—	696,573
Accrued interest and dividends receivable.....	35,010	37,787
Due from brokers.....	—	428,081
Foreign income taxes recoverable.....	6,512	3,606
	<u>\$22,768,008</u>	<u>\$19,801,416</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable.....	\$ 30,243	\$ 31,012
Due to brokers.....	2,250,048	25,732
Income taxes payable.....	52,487	68,908
Dividends payable.....	58,566	—
	<u>2,391,344</u>	<u>125,652</u>

Shareholders' equity:

Capital stock (note 1)—

Authorized:

1,958,806 shares of \$5 par value each

Issued:

790,430 shares..... 3,952,150 4,153,120

Surplus—

Contributed surplus.....	667,616	667,616
Earned surplus.....	1,601,066	1,307,210
Accumulated profit on sale of investments.....	12,569,389	10,575,603
Unrealized appreciation of investments.....	1,586,443	3,474,640
	<u>20,376,664</u>	<u>20,178,189</u>

Less 20,097 shares of Magnum Fund Limited held by its subsidiary, Mextram N.V.—at cost (note 1).....

	—	502,425
	<u>20,376,664</u>	<u>19,675,764</u>
	<u>\$22,768,008</u>	<u>\$19,801,416</u>

On behalf of the Board:

HANS J. FRANK, Director

DAVID G. GUEST, Director

See accompanying notes.

MAGNUM FUND LIMITED

and its subsidiary, Mextram N.V.

STATEMENTS OF CONSOLIDATED INCOME, EARNED SURPLUS, ACCUMULATED PROFIT ON SALE OF INVESTMENTS AND UNREALIZED APPRECIATION OF INVESTMENTS

FOR THE YEAR ENDED JUNE 30, 1969

(In U.S. currency)

(with comparative figures for the year ended June 30, 1968)

INCOME		1969	1968
Income from investments (net of foreign income taxes with- held at source and exclusive of profit on sale of investments):			
Dividends.....	\$	392,370	\$ 337,632
Interest.....		185,438	117,460
		<u>577,808</u>	<u>455,092</u>
Administrative and other expenses.....		70,878	57,597
Provision for income taxes.....		55,013	41,159
		<u>125,891</u>	<u>98,756</u>
Net income from investments.....	\$	<u>451,917</u>	\$ <u>356,336</u>

EARNED SURPLUS			
Balance, beginning of the year.....	\$	1,307,210	\$ 1,089,177
Net income from investments.....		451,917	356,336
		<u>1,759,127</u>	<u>1,445,513</u>
Dividend paid.....		158,061	138,303
Balance, end of the year.....	\$	<u>1,601,066</u>	\$ <u>1,307,210</u>

ACCUMULATED PROFIT ON SALE OF INVESTMENTS			
Balance, beginning of the year.....	\$	10,575,603	\$ 8,201,001
Net profit on sale of investments.....		2,295,241	2,374,602
Charge arising from cancellation of Magnum Fund Limited shares (note 1).....		<u>(301,455)</u>	<u>—</u>
Balance, end of the year.....	\$	<u>12,569,389</u>	\$ <u>10,575,603</u>

UNREALIZED APPRECIATION OF INVESTMENTS			
Balance, beginning of the year.....	\$	3,474,640	\$ 1,486,403
Net (decrease) increase during the year.....		<u>(1,888,197)</u>	<u>1,988,237</u>
Balance, end of the year.....	\$	<u>1,586,443</u>	\$ <u>3,474,640</u>

See accompanying notes.

MAGNUM FUND LIMITED

and its subsidiary, Mextram N.V.

STATEMENT OF CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED JUNE 30, 1969

(In U.S. currency)

(with comparative figures for the year ended June 30, 1968)

	1969		1968	
		Per share		Per share (2)
Net assets, beginning of year.....	\$19,675,764	\$24.89	\$15,094,892	\$19.10
Net income from investments.....	451,917	.57	356,336	.45
Deduct dividend paid.....	(158,061)	(.20)	(138,303)	(.18)
	293,856	.37	218,033	.27
Net profit on sale of investments (1).....	2,295,241	2.90	2,374,602	3.00
(Decrease) increase in unrealized appreciation of investments.....	(1,888,197)	(2.38)	1,988,237	2.52
	407,044	.52	4,362,839	5.52
Net assets, end of year.....	<u>\$20,376,664</u>	<u>\$25.78</u>	<u>\$19,675,764</u>	<u>\$24.89</u>
(1) Cost of investments, beginning of year.....	\$13,645,973		\$11,565,595	
Cost of investments purchased during year....	8,401,439		7,647,715	
	22,047,412		19,213,310	
Cost of investments, end of year.....	15,653,016		13,645,973	
Cost of investments sold during year.....	6,394,396		5,567,337	
Proceeds of sales.....	8,689,637		7,941,939	
Net profit on sale of investments.....	<u>\$ 2,295,241</u>		<u>\$ 2,374,602</u>	

(2) 1968 per share figures have been restated to reflect the 2 for 1 subdivision effective March 14, 1969.

MAGNUM FUND LIMITED

and its subsidiary, Mextram N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1969

(In U.S. currency)

1. CHANGES IN CAPITAL STOCK

By supplementary letters patent effective March 14, 1969:

- (a) The 20,097 shares of the capital stock of the company owned by its subsidiary, Mextram N.V., were cancelled. In the consolidated financial statements, the cost of the shares to the subsidiary of \$502,425 was applied as follows:
- | | |
|---|------------------|
| (i) As a reduction of capital stock (i.e. the par value of the shares cancelled)..... | \$200,970 |
| (ii) As a charge against "accumulated profit on sale of investments"..... | <u>301,455</u> |
| | <u>\$502,425</u> |
- (b) The remaining 395,215 issued and 584,688 unissued shares of \$10 par value were subdivided on a 2 for 1 basis into 790,430 issued and 1,169,376 unissued shares of \$5 par value.

2. ACCOUNTING FOR SECURITIES HAVING A QUOTED MARKET VALUE

The securities having a quoted market value are stated at market value at June 30, 1969 to facilitate the computation of net asset value and net asset value per share on a market value basis at that date. In the accounts of the companies, however, these securities are stated at cost and not adjusted for fluctuations in market value.

3. STATUTORY INFORMATION

Included in administrative and other expenses for the year ended June 30, 1969 is remuneration of directors and senior officers \$5,750 (1968—\$5,750).

AUDITORS' REPORT

TO THE SHAREHOLDERS OF MAGNUM FUND LIMITED:

We have examined the consolidated balance sheet of Magnum Fund Limited and its subsidiary Mextram N.V. as at June 30, 1969 and the statements of consolidated income, earned surplus, accumulated profit on sale of investments, unrealized appreciation of investments and changes in consolidated net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records as we considered necessary in the circumstances.

In our opinion these consolidated financial statements (stated in U.S. currency) present fairly the financial position of the companies as at June 30, 1969 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
July 10, 1969.

CLARKSON, GORDON & CO.
Chartered Accountants

